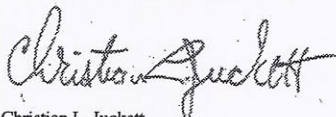


NOTICE OF ENACTMENT AND SUMMARY OF BOND ORDINANCE

ORDINANCE OF THE CITY OF TAYLORSVILLE, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$1,410,000 PRINCIPAL AMOUNT OF CITY OF TAYLORSVILLE WATER AND SEWER REVENUE BONDS, SERIES 2011, CONSISTING OF \$860,000 OF SERIES A BONDS AND \$550,000 OF SERIES B BONDS FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM OF SAID CITY; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

As required by KRS 83A.060(9), I hereby certify that an Ordinance bearing the above title was given first reading (by Title and Summary) by the City Commission of the City of Taylorsville Kentucky, at a duly convened meeting of said City Commission held on April 5, 2011, and was given second reading (by Title and Summary) and enacted by said City Commission at a duly convened meeting held on April 26, 2011, and that the following is a Summary of such Ordinance prepared by W. Randall Jones of the firm of Rubin & Hays, Attorneys at Law, Louisville, Kentucky.



Christian L. Juckett

SUMMARY OF ORDINANCE

Said Ordinance authorizes the issuance of \$1,410,000 of City of Taylorsville Water and Sewer Revenue Bonds, Series 2011 (the "Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of the Project referred to in said title; authorizes interim financing to pay the costs of said Project pending the issuance of the Bonds; designates Engineers for the Project and the depository bank of the proceeds of the Bonds and of certain funds to be maintained in connection with the Bonds; provides for a Sinking Fund for the payment of principal and interest on the Bonds, an Operation and Maintenance Fund, and a Debt Reserve Fund; provides that said Bonds are secured by a pledge of the gross revenues of the System; establishes the method of payment of the principal of and interest on the Bonds, and the conditions and restrictions for the issuance of bonds ranking on a parity with the Bonds; provides certain covenants of the City for the further protection of the holders of the Bonds, including covenants as to compliance with the Internal Revenue Code; and prescribes terms and conditions upon which bids will be received for the purchase of the Bonds.

A copy of the full text of said Ordinance is available for public inspection during regular business hours, Monday through Friday.



Steve Biven, City Clerk, City of Taylorsville, Kentucky 40071.

BOND ORDINANCE

CITY OF TAYLORSVILLE, KENTUCKY

AUTHORIZING

CITY OF TAYLORSVILLE

WATER AND SEWER REVENUE BONDS, SERIES 2011

IN THE AGGREGATE PRINCIPAL AMOUNT OF

\$1,410,000

CONSISTING OF

\$860,000 OF SERIES A BONDS

AND

\$550,000 OF SERIES B BONDS

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## **BOND ORDINANCE**

**ORDINANCE OF THE CITY OF TAYLORSVILLE, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$1,410,000 PRINCIPAL AMOUNT OF CITY OF TAYLORSVILLE WATER AND SEWER REVENUE BONDS, SERIES 2011, CONSISTING OF \$860,000 OF SERIES A BONDS AND \$550,000 OF SERIES B BONDS FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM OF SAID CITY; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.**

WHEREAS, the combined and consolidated water and sewer system (the "System") of the City of Taylorsville (the "City") is owned and operated by said City pursuant to Chapters 58 and 82 of the Kentucky Revised Statutes (the "Act"), and

WHEREAS, the City presently has outstanding certain Prior Bonds (as hereinafter defined), which Prior Bonds are payable from and secured by a pledge of the revenues derived from the operation of the System, and

WHEREAS, all of the Prior Bonds presently outstanding are current as to payment of both principal and interest, and for the security of which a certain Sinking Fund and certain reserves are being maintained in the manner and by the means prescribed in the Prior Bond Ordinance (as hereinafter defined) of the City, authorizing the Prior Bonds, and

WHEREAS, it is the desire and intent of the City at this time to authorize and provide for the issuance of revenue bonds in the aggregate principal amount of \$1,410,000, consisting of \$860,000 of Series A Bonds and \$550,000 of Series B Bonds (the "Current Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the System of the City, in accordance with plans and specifications prepared by Sisler - Maggard Engineering, PLLC and to prescribe the covenants of the City, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the City desires and intends that the Current Bonds be issued as second lien bonds, on a parity with the outstanding Prior Second Lien Bonds, subject to the vested rights and priorities in favor of the owners of the outstanding KIA Loans, and

WHEREAS, the Prior Second Lien Bonds were issued to and are now held by the Rural Development of the Department of Agriculture of the United States of America (the "RD"), and

WHEREAS, the RD, as the Owner of the Prior Second Lien Bonds, has consented to the issuance by the City of the Current Bonds, and

WHEREAS, the proceeds of the Current Bonds will be supplemented by Grant Proceeds (as hereinafter defined) to provide the total cost of such construction,

NOW, THEREFORE, BE IT ORDAINED BY THE CITY OF TAYLORSVILLE, KENTUCKY, AS FOLLOWS:



**ARTICLE 1. DEFINITIONS; PURPOSE; AUTHORIZATION  
OF BONDS; SECURITY.**

**Section 101. Definitions.** As used in this Ordinance, unless the context requires otherwise:

*"Act"* refers to Chapters 58 and 82 of the Kentucky Revised Statutes.

*"Beginning Month"* refers to the month following the month in which the Current Bonds authorized herein are issued, sold and delivered to the Purchaser thereof.

*"Bond Counsel"* refers to an attorney or firm of attorneys recognized nationally as experts in the field of municipal bond law and shall be deemed to refer to Rubin & Hays, Louisville, Kentucky, or their successors.

*"Bondowner" or "Owner"* refer to the registered Owners of the Bonds at the time issued and outstanding hereunder.

*"Bonds"* refers collectively to the outstanding Current Bonds, Prior Bonds and Parity Bonds.

*"Bonds of 1994" or "Series 1994 Bonds"* refer to the outstanding City of Taylorsville Water and Sewer Revenue Bonds, Series 1994A, dated June 21, 1995, in the original authorized principal amount of \$666,000.

*"Bonds of 1998" or "Series 1998 Bonds"* refer to the outstanding City of Taylorsville Water and Sewer Revenue Bonds, Series 1998, dated August 27, 1999, in the original authorized principal amount of \$1,844,000.

*"Bonds of 2001" or "Series 2001 Bonds"* refer to the outstanding City of Taylorsville Water and Sewer Revenue Bonds, Series 2001, dated August 10, 2001, in the original authorized principal amount of \$690,000.

*"Bonds of 2004" or "Series 2004 Bonds"* refer to the outstanding City of Taylorsville Water and Sewer Revenue Bonds, Series 2004, dated December 23, 2004, in the original authorized principal amount of \$1,692,000.

*"Bonds of 2008 - County" or "Series 2008 County Bonds"* refer to the outstanding City of Taylorsville Water and Sewer Revenue Bonds, Series 2008 (In-County Project), dated March 2, 2009, in the original authorized principal amount of \$1,350,000.

*"Bonds of 2008 - City" or "Series 2008 City Bonds"* refer to the outstanding City of Taylorsville Water and Sewer Revenue Bonds, Series 2008 (In-City Project), dated March 2, 2009, in the original authorized principal amount of \$200,000.



*"Bond Ordinance of 1994"* or *"1994 Bond Ordinance"* refer to the Ordinance authorizing the Bonds of 1994, duly enacted by the City Commission of the City on August 2, 1994.

*"Bond Ordinance of 1998"* or *"1998 Bond Ordinance"* refer to the Ordinance authorizing the Bonds of 1998, duly enacted by the City Commission of the City on August 25, 1998.

*"Bond Ordinance of 2001"* or *"2001 Bond Ordinance"* refer to the Ordinance authorizing the Bonds of 2001, duly enacted by the City Commission of the City on December 14, 2000.

*"Bond Ordinance of 2004"* or *"2004 Bond Ordinance"* refer to the Ordinance authorizing the Bonds of 2004, duly enacted by the City Commission of the City on January 20, 2004.

*"Bond Ordinance of 2008 - County"* or *"2008 County Bond Ordinance"* refer to the Ordinance authorizing the Series 2008 County Bonds, duly enacted by the City Commission of the City on May 6, 2008.

*"Bond Ordinance of 2008 - City"* or *"2008 City Bond Ordinance"* refer to the Ordinance authorizing the Series 2008 City Bonds, duly enacted by the City Commission of the City on May 6, 2008.

*"CDBG Grant"* refers to the Community Development Block grant to the City in the amount of \$800,000.

*"City"* refers to the City of Taylorsville, Kentucky.

*"City Clerk"* refers to the appointed City Clerk of the City.

*"Code"* refers to the Internal Revenue Code of 1986, as amended, and the Treasury Regulations relating thereto.

*"Construction Account"* refers to the City of Taylorsville Water and Sewer Construction Account, created in Section 301(B) of this Current Bond Ordinance.

*"Contractors"* refers to the general contractors who have been employed by the City to construct the Project.

*"Current Bond Ordinance"* or *"Ordinance"* refer to this Ordinance authorizing the Current Bonds.

*"Current Bonds"* refers to the \$1,410,000 of City of Taylorsville Water and Sewer Revenue Bonds, Series 2011, consisting of \$860,000 of Series A Bonds and \$550,000 of Series B Bonds authorized by this Ordinance, to be dated as of the date of issuance thereof.

*"Debt Reserve Fund"* refers to the City of Taylorsville Water and Sewer Debt Reserve Fund, described in Section 401 of this Ordinance.

*"Depository Bank"* refers to the bank, which shall be a member of the FDIC, and which shall be designated by the City.

*"Engineers"* refers to the Engineers or any one of them, who prepared the plans and specifications for the construction of the Project and who will supervise the construction thereof and/or will furnish full time resident inspection of the construction of the Project, and shall be deemed to refer to Sisler - Maggard Engineering, PLLC, or a member of said firm, or their successors.

*"Event of Default"* refers to one or more of the Events of Default set forth in Section 701 of this Ordinance.

*"FDIC"* refers to the Federal Deposit Insurance Corporation, or its successors.

*"Fiscal Year"* refers to the annual accounting period of the City, beginning on July 1 and ending on June 30 of each year.

*"Funds"* refers to the Revenue Fund, the First Lien Sinking Fund, the Second Lien Sinking Fund, the Debt Reserve Fund, the Construction Account and the Operation and Maintenance Fund.

*"Governing Body"* refers to the City Commission of the City, or such other body as shall be the governing body of said City under the laws of Kentucky at any given time.

*"Government"* refers to the United States of America, or any agency thereof, including RD.

*"Grant Proceeds"* refers to the proceeds of the RD Grant, the CDBG Grant and the KIA Grant.

*"Independent Consulting Engineer"* refers to a consulting engineer or a firm of consulting engineers of recognized excellent reputation in the field of combined and consolidated water and sewer system engineering, and such definition includes the Engineers named above.

*"Interim Lender"* refers to Kentucky Rural Water Finance Corporation, Bowling Green, Kentucky, its successors or assigns; or any other financial institution or governmental agency approved by the City.

*"KIA Grant"* refers collectively to the grants to the City from the Kentucky Infrastructure Authority in the aggregate amount of \$400,000.

*"KIA Loans"* refers to the outstanding Kentucky Infrastructure Authority Loans to the City.



*"Local Counsel"* refers to J. Dudley Dale, Jr., Taylorsville, Kentucky, or any other attorney or firm of attorneys designated by the City.

*"Mayor"* refers to the Mayor of the City.

*"Multiple Advances"* refers to the advance of loan funds from the RD as described in Section 302 of this Ordinance.

*"Note"* refers to a single note or any number of notes, in such form as may be prescribed by the Interim Lender, including any revenue bond anticipation notes issued pursuant to Chapter 58 of the Kentucky Revised Statutes, including any renewal or extensions of the Note, issued by the City evidencing the interim financing for the Project as prescribed in Section 302 of this Ordinance.

*"Operation and Maintenance Fund"* refers to the City of Taylorsville Water and Sewer Operation and Maintenance Fund described in Section 401 of this Ordinance.

*"Outstanding Bonds"* refers to the outstanding Bonds, and does not refer to, nor include, any Bonds for the payment of the principal and interest of which sufficient funds will have been deposited and earmarked for payment of Bonds; provided all Outstanding Bonds of any series held by the RD shall be deemed to constitute Outstanding Bonds until paid regardless of the deposit of funds to pay for same.

*"Parity Bonds"* refers to bonds which may be issued in the future which, pursuant to this Ordinance, rank on a basis of parity with the outstanding Current Bonds, as to priority, security and source of payment, and does not refer to bonds which might be issued so as to rank inferior to the security and source of payment of the outstanding Current Bonds.

*"Prior Bonds"* refers collectively to the KIA Loans, the Series 1994 Bonds, the Series 1998 Bonds, the Series 2001 Bonds, the Series 2004 Bonds, the Series 2008 County Bonds and the Series 2008 City Bonds.

*"Prior Bond Ordinance"* refers collectively to the 1994 Bond Ordinance, the 1998 Bond Ordinance, the 2001 Bond Ordinance, the 2004 Bond Ordinance, the 2008 County Bond Ordinance and the 2008 City Bond Ordinance.

*"Prior Second Lien Bond Ordinance"* refers collectively to the 1994 Bond Ordinance, the 1998 Bond Ordinance, the 2001 Bond Ordinance, the 2004 Bond Ordinance, the 2008 County Bond Ordinance and the 2008 City Bond Ordinance.

*"Prior Second Lien Bonds"* refers collectively to the Series 1994 Bonds, the Series 1998 Bonds, the Series 2001 Bonds, the Series 2004 Bonds, the Series 2008 County Bonds and the Series 2008 City Bonds.



"Project" refers specifically to the construction of the currently proposed extensions, additions and improvements to the System of the City, which Project is being financed by the Current Bonds and by other funds.

"Purchaser" refers to the agency, person, firm or firms, or their successors, to whom the Current Bonds herein authorized are awarded at the public sale of the Current Bonds.

"RD" refers to the Rural Development of the Department of Agriculture of the United States of America.

"RD Grant" refers to the USDA, Rural Development grant to the City in the amount of \$790,000.

"Required Signatures" refers to the signatures necessary to be obtained with reference to the approval of the expenditures to be made from the Construction Account, which required signatures shall consist of the signatures of (1) the Mayor, (2) the Engineers and (3) the Purchaser; provided, however, any expenditures for issuance and administrative costs and the costs of any equipment which is not permanently affixed to the real estate shall not require the signature or the approval of the Engineers.

"Revenue Fund" refers to the City of Taylorsville Water and Sewer Revenue Fund, described in Section 401 of this Ordinance.

"Second Lien Sinking Fund" refers to the City of Taylorsville Water and Sewer Second Lien Sinking Fund, described in Section 401 of this Ordinance.

"System" refers to the existing combined and consolidated water and sewer system of the City, together with all extensions, additions and improvements to said System.

"Treasurer" refers to the appointed Treasurer of the City.

"U.S. Obligations" refers to bonds or notes which are the direct obligations of the United States of America, or obligations the principal of and interest on which are guaranteed by the United States of America.

All words and terms importing the singular number shall, where the context requires, import the plural number and vice versa. Unless otherwise indicated, references to Articles or Sections refers to those in this Ordinance.

**Section 102. Purpose.** The Current Bonds shall be issued for the purpose of financing the cost (not otherwise provided) of the Project, as set out in the plans and specifications prepared by the Engineers. The City Commission hereby declares the System of the City, including the extensions, additions and improvements to be constructed, to constitute a revenue producing public project, and said System shall continue to be owned, controlled, operated and maintained by the City

as a revenue producing public project pursuant to the Act, so long as any Bonds remain outstanding.

**Section 103. Construction Award Approved; Work Authorized.** The City Commission hereby authorizes, approves, ratifies and confirms its previous action in advertising for and taking steps toward awarding the contracts for the construction of the Project to the lowest and best bidders, and further approves the action of the City officials in entering into formal contracts with said bidders, subject to the necessary approvals being obtained. Authority is hereby given for undertaking the construction of the Project according to the plans and specifications heretofore prepared by the Engineers for the City, after all necessary approvals have been obtained.

**Section 104. Declaration of Period of Usefulness.** The City Commission hereby declares that the period of usefulness of the System is more than forty (40) years from the date of completion of the Project.

**Section 105. Authorization of Bonds.** The City has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$3,400,000. Therefore, it is hereby determined to be necessary in order for the City to finance the cost (not otherwise provided) of the Project that the City issue a total of \$1,410,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$3,400,000
Less:		
RD Grant	\$790,000	
KIA Grant	400,000	
CDBG Grant	<u>800,000</u>	
Total Non-Bond Funds:		<u>(1,990,000)</u>
Balance to be financed by Current Bonds		\$1,410,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold \$1,410,000 principal amount of City of Taylorsville Water and Sewer Revenue Bonds, Series 2011, consisting of \$860,000 of Series A Bonds and \$550,000 of Series B Bonds.

The Current Bonds shall be dated as of the date of delivery to the Purchaser thereof; shall bear interest from such date at such interest rate as may be fixed by supplemental resolution as a result of the advertised sale and competitive bidding for such Current Bonds, as hereinafter provided; and shall be issued and delivered as prescribed in Section 202 hereof.



Interest on the Current Bonds shall be payable semiannually on January 1 and July 1 of each year, provided that the first interest payment period will cover interest only from the date of delivery of the Current Bonds to the ensuing January 1 or July 1, as the case may be. Principal of the Current Bonds shall be payable on January 1 of each of the respective years until maturity, as set out in Section 201 hereof.

**Section 106. Recognition of Prior Bonds.** The City hereby expressly recognizes and acknowledges that the City has previously pledged, for the benefit and protection of the owners of the Prior Bonds, the gross revenues of the System, all as set forth in the Prior Bonds and in the Prior Bond Ordinance.

**Section 107. Current Bonds Shall be Payable Out of Gross Revenues on a Parity with the Prior Second Lien Bonds, Subject to the Priority of the KIA Loans.** The Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions set forth hereinafter, shall be secured by and payable from the gross revenues of the System on a parity with the Prior Second Lien Bonds, subject to the priority of the KIA Loans.

**Section 108. Lien on Contracts.** In addition to the revenue pledge securing the Bonds, a lien is hereby created and granted in favor of the Bondowners on all contracts and on all other rights of the City pertaining to the System, enforceable by assignment to any receiver or other operator proceeding by authority of any court.



## **ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.**

**Section 201. Principal Payments.** Principal payments due on the Current Bonds shall be as set forth in the schedule of maturities set out in **Exhibit A** attached to this Ordinance and incorporated herein by reference.

**Section 202. Issuance of Current Bonds; Bond Form.** The Purchaser of the Current Bonds at the public sale thereof shall take delivery of the Current Bonds in the form of one or more fully registered bonds, as set forth in **Exhibit B** attached hereto and incorporated herein by reference, amounting in the aggregate to the principal amount of the Current Bonds authorized herein, maturing as to principal as set out in Section 201 above. The Current Bonds shall be numbered R-1 and consecutively upward thereafter. Such Current Bonds shall, upon appropriate execution on behalf of the City as prescribed herein, constitute the entire bond issue herein authorized, shall be negotiable (subject to registration requirements as to transferability), and payable as to principal and interest to the registered Owner.

**Section 203. Place of Payment and Manner of Execution.** Both principal of and interest on the Current Bonds shall be payable at the place and in the manner set out in the form of such Current Bond. The Current Bonds shall be executed on behalf of the City by the manual or facsimile signature of the Mayor, with the Corporate Seal of the City affixed thereto and attested by the manual or facsimile signature of the City Clerk.

If either of the officers whose signatures appear on the Current Bonds ceases to be such officer before delivery of said Current Bonds, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery.

**Section 204. Provisions as to Prepayment.** Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2021, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2021, shall be subject to prepayment by the City on any interest payment date falling on and after January 1, 2020, at par plus accrued interest, without any prepayment penalty.

So long as all of the Current Bonds are owned by the Government, all or any of the Current Bonds, or payments in a multiple of \$100, may be prepaid at any time in inverse chronological order of the principal maturities due, at par plus accrued interest without any prepayment penalty. Notice of such prepayment shall be given by certified mail to the Bondowner or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the Bondowner.



**ARTICLE 3. CONSTRUCTION ACCOUNT; INTERIM FINANCING;  
APPLICATION OF PROCEEDS; ARBITRAGE LIMITATIONS.**

**Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits.** The Treasurer, or such other City official as shall be designated by the City Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the City entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$415,000 (the "Fidelity Bond"), or such larger amount as the RD may require, which Fidelity Bond shall be effective and secured by a surety company approved by the RD so long as it is owner of any of the Current Bonds. The RD and the City shall be named co-obligees in such Fidelity Bond and the amount thereof shall not be reduced without the written consent of the RD. Whenever sums in the Funds shall exceed \$415,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the RD.

**A. Covenants Applicable if RD Purchases Current Bonds.** It is acknowledged that all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures and the necessity of using RD forms (the "RD Forms"), shall apply only if the RD is the Purchaser of the Current Bonds and only so long as the RD holds the Current Bonds thereafter. In the event that the RD shall not be the Purchaser of the Current Bonds, or, after purchasing same, shall sell or transfer the Current Bonds to an Owner who shall not be the Government, all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures, and the necessity of using RD Forms, shall not be applicable.

**B. Application of Proceeds of Current Bonds.** The proceeds of the Current Bonds shall be applied as follows:

**(1) Payment of Interim Financing, Costs of Project and Costs of Issuance.** Simultaneously with the delivery of the Current Bonds, there shall immediately be paid to the Interim Lender (or the RD if Multiple Advances are made) an amount sufficient to pay principal of and interest on any temporary loans borrowed by the City in anticipation of the sale and delivery of the Current Bonds and/or of the receipt of Grant Proceeds. Also, at the time of delivery of the Current Bonds, there shall be paid all amounts then due and payable in connection with the costs of the Project and in connection with the issuance of the Current Bonds.

**(2) Construction Account.** If and to the extent that the proceeds of the Current Bonds shall be in excess of the amount necessary to pay the interest, principal and costs referred to in subparagraph B(1) of this Section, such excess amount shall immediately be deposited in the "City of Taylorsville Water and Sewer Construction Account" hereby created, which shall be established at the Depository Bank. There shall also be deposited



in said Construction Account the Grant Proceeds, as and when received, or said Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim financing owed by the City at the time of receipt of Grant Proceeds.

**(3) Withdrawal of Funds From Construction Account.** Prior to the expenditure by the City of any moneys from the Construction Account, the City must obtain written approval from the RD as to such expenditures, if the RD is the Owner of any Outstanding Bonds. The proceeds of said Construction Account shall be withdrawn only on checks signed by the Mayor, the Treasurer (or by such other official of the City as may be authorized by the City Commission), provided such official shall be covered by the Fidelity Bond required by Section 301 of this Ordinance, in payment for services and/or materials supplied in connection with the Project, as evidenced by (1) a Requisition Certificate and (2) invoices and/or partial payment estimates bearing the written approval of the Engineers and the Mayor (or by such other official of the City as may be authorized by the City Commission), and which invoices and/or partial payment estimates must have been reviewed and approved for payment by the designated RD official.

Written approval or certification of the Engineers shall not be required for matters not under the jurisdiction of the Engineers, such as legal fees, land acquisition and related items.

During construction, the City shall disburse Construction Account funds in a manner consistent with RD Instruction 1780.

The City shall prepare and submit any and all RD Forms required by the RD. Periodic audits of the City's Construction Account records shall be made by RD as determined by it to be necessary.

**(4) Transfer of Capitalized Interest to Second Lien Sinking Fund.** There shall be transferred from the Construction Account from time to time, as needed, an amount sufficient to provide for capitalized interest (initially estimated at \$14,000) during the construction of the Project, as approved by the Engineers and by the RD. If and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project, such amount so transferred from the Construction Account shall be deposited in the Second Lien Sinking Fund.

**(5) Investment of Funds in Construction Account.** Pending disbursement of amounts on deposit in the Construction Account, all such funds, or such portion of said amounts on deposit in said Construction Account as is designated by the City Commission, shall be invested for the benefit of such Construction Account in Certificates of Deposit, savings accounts or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for costs of the Project (as determined by the Engineers, the Mayor and the RD), provided that to the



extent that any amounts on deposit in said Depository Bank shall cause the total deposits of the City in said Depository Bank to exceed the amount insured by the FDIC, the same shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

**(6) Statements of Contractors, Engineers and Attorneys as to Payment.** Prior to the delivery of the Current Bonds, if the RD is the Purchaser of the Current Bonds, the City will be required to provide the RD with statements from the Contractors, Engineers and attorneys for the City that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and subcontractors. Any exceptions must be authorized under RD Instruction 1780.

**(7) Disposition of Balance in Construction Account After Completion of Project.** When the Project has been completed and all construction costs have been paid in full, as certified by the Engineers for the City and/or by the RD, any balance then remaining in the Construction Account may, with the consent of the RD, be applied to the cost of constructing additional extensions, additions and improvements to the System (the "Additional Construction"). If such Additional Construction is to be undertaken by the Contractors previously engaged in the Project, such Additional Construction may be authorized by a change order.

If there is a balance remaining in the Construction Account after such Additional Construction, such balance (subject to legal requirements as to possible refund of any allocated portion of the balance derived from Grant Proceeds) shall be transferred to the Second Lien Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Second Lien Sinking Fund shall be used by the City immediately to prepay principal installments due on the Current Bonds in the inverse order of maturities without prepayment penalty, provided further that any balance insufficient to prepay at least \$100 of the principal payment falling due in any year on the Current Bonds will be transferred to the Debt Reserve Fund.

### **Section 302. Interim Financing Authorization.**

**A. Interim Financing.** The City shall use interim financing for the Project during construction of that portion of the cost of the Project financed by the Current Bonds, if available at reasonable rates and terms.

The borrowing of up to the aggregate sum of \$1,410,000 from the Interim Lender is hereby authorized; and the Mayor is hereby authorized to execute the Note in the name and on behalf of the City. Each advance under the Note shall evidence a loan by the Interim Lender to the City for



services rendered and/or materials supplied in connection with the Project, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

(1) At the direction of the City, the Interim Lender shall disburse the proceeds of the Note by cashier's checks directly to the parties entitled thereto as set forth in the Requisition Certificate; or

(2) At the direction of the City, the Interim Lender shall deposit the proceeds of the Note in the Construction Account, in which event amounts of the City on deposit therein shall, until expended to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The aggregate of the principal amount of all Notes shall not exceed \$1,410,000. Each Note which is renewed or superseded shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer. The rate of interest applicable to each Note shall not exceed a reasonable rate, which rate is subject to the approval of the RD.

The total authorized interim financing of \$1,410,000 shall be the maximum indebtedness which the City may owe at any one time to the Interim Lender for the purpose of providing temporary construction financing for the Project; provided, however, that the City may reduce the amount owed by the City to the Interim Lender from time to time as and when funds are available to the City, whether derived from the proceeds of the Grant Proceeds, the proceeds of the sale of the Current Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the City of additional proceeds from the Current Bonds and/or Grant Proceeds.

The City hereby covenants and agrees with the Interim Lender that upon the issuance and delivery of the Current Bonds and/or the receipt of said Grant Proceeds, the City will apply the proceeds thereof, to whatever extent may be necessary, in payment of the principal amount of the Note, together with accrued interest thereon to the date of such payment; and the proceeds of the Current Bonds and Grant Proceeds are hereby pledged therefor, and such pledge shall constitute a first and prior charge against said proceeds.

Although the proceeds of the Current Bonds and Grant Proceeds are pledged to the repayment of said interim financing, it is recognized that the Grant Proceeds may be applied to the extent required at the time of receipt of the Grant Proceeds, to the payment of costs of the Project due and owing by the City at the time of receipt of such Grant Proceeds, rather than to the repayment of portions of the interim financing at that time. If and to the extent that the Grant Proceeds are in excess of any costs of the Project due and owing at the time of receipt thereof, such Grant Proceeds may be applied, in the same manner as set out hereinabove, to the reduction of the amount of the interim financing, after which, such interim financing may again be increased as theretofore. The



City further pledges the revenues of the System to the repayment of said interim financing, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

It is understood that the foregoing constitutes an alternative method of obtaining interim financing, and does not preclude the authorization and sale, by public advertisement or otherwise, of bond anticipation notes and/or grant anticipation notes to the most favorable bidder on the open market, by concurrent or subsequent proceedings of the City.

**B. Multiple Advances by RD.** In the event the Current Bonds are purchased by the RD, and in the event the City is unable to obtain a commitment for interim financing for the Project from any Interim Lender at reasonable rates and terms, the Mayor is authorized to request Multiple Advances of loan funds from the RD.

If the RD agrees to make Multiple Advances to the City pending the delivery of the Current Bonds, the Mayor is hereby authorized to execute in the name and on behalf of the City any number of Notes. Each such Note, evidencing an advance of funds by the RD to the City, shall be in the form prescribed by the RD.

Each request for an advance from the RD shall be accompanied by a Requisition Certificate. The City will also furnish to the RD, prior to the receipt of each Multiple Advance, whatever additional documentation shall be requested by the RD, including an updated supplemental title opinion of Local Counsel and an updated supplemental preliminary legal opinion of Bond Counsel.

The proceeds of any Multiple Advances shall be either (i) disbursed directly to the parties entitled thereto for services and/or materials supplied in connection with the Project or (ii) deposited into the Construction Account and disbursed in accordance with the provisions of Section 301 hereof, in which event amounts on deposit in such Construction Account shall, until expended, to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The proceeds of the Current Bonds are hereby pledged to the repayment of such Multiple Advances, and such pledge shall constitute a first and prior pledge against such proceeds. The City further pledges the revenues of the System to the repayment of said Multiple Advances, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

**Section 303. Arbitrage Limitations on Investment of Proceeds.** The City covenants and certifies, in compliance with the Code, on the basis of known facts and reasonable expectations on the date of enactment of this Ordinance, that it is not expected that the proceeds of the Current Bonds will be used in a manner which would cause the Current Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The City covenants to the Owners of the Current Bonds that (1) the City will make no use of the proceeds of said Current Bonds which, if such use had been reasonably expected on the date of issue of such Current Bonds, would have caused such Current Bonds to be "arbitrage bonds" and (2) the City will comply with all of the requirements of the Code to whatever extent is necessary to assure that the Current Bonds shall not be treated as or constitute



"arbitrage bonds" and that the interest on the Current Bonds shall be excludable from gross income for Federal income tax purposes.

Prior to or at the time of delivery of the Current Bonds, the Mayor and/or the Treasurer (who are jointly and severally charged with the responsibility for the issuance of the Current Bonds) are authorized to execute such certifications as shall be required by Bond Counsel, setting out all known and contemplated facts concerning the anticipated construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by Section 148 of the Code in order to assure that interest on the Current Bonds shall be excludable from gross income for Federal income tax purposes and that the Current Bonds will not be treated as "arbitrage bonds".